



Date: June 12, 2009
To: Bob Morgan, Interim City Manager
From: Internal Audit Division
Subject: Gillespie Pro Shop Review

The Internal Audit Division has performed a review of the Gillespie Pro Shop. Attached you will find our review report; the departmental response; and our replies to their responses. We feel that our recommendations have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas'.

Len Lucas
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development
Dr. Anthony Wade, Interim Director of Parks & Recreation



City of Greensboro

Date: May 15, 2009
To: Dr. Anthony Wade, Interim Director of Parks & Recreation
From: Internal Audit Division
Subject: Gillespie Pro Shop Review

Carved out of 85 acres, Gillespie Golf Course (GGC) provides a challenging 9-hole layout for golfers at all skill levels. The clubhouse, which offers a pro shop and concessions area, overlooks a practice putting green. GGC is the home of the annual Gillespie Invitational Golf Tournament, which attracts players from all over the Piedmont for a 36-hole stroke play competition. The driving range is perfect for warm-up prior to the game or for sharpening basic skills.

GGC operates a pro shop which carries a variety of resale items: hats, golf balls, gloves, tees, sunglasses, and golf shoes. When shop inventory is purchased, the "*Purchases for Resale*" account (101-5003-01.5271) is charged. Revenue earned from resale inventory is credited to the "*Sale of Golf Equipment & Supplies*" account (101-5003-01.7740). For FY 2007-08, GGC reported purchases of \$8,248.71; and golf equipment and equipment sales of \$11,033.66.

In 2006, the Internal Audit Department conducted a review of GGC's cash handling/operations. During this review, it was noted in Internal Audit's report dated July 10, 2006: ". . . the GGC recently started selling golf related products. However, no written inventory procedures are in place. The GGC is not properly accounting for the inventory or reconciling it as it should be. Therefore, the inventory is susceptible to theft and misappropriation."

It was recommended by Internal Audit that: ". . . GGC staff contact the Lakes' Supervisor for their written inventory procedures, but customize the procedures to meet GGC's inventory specifications. These procedures should be approved by the Finance Department. Also a monthly count and reconciliation of the golf related inventory should be performed to account for revenue earned from the sale of these products."

Our 2009 review was limited to GGC's golf related inventory (resale) only. The objective of our review was to determine if controls over the Pro Shop's resale inventory exist and are operating effectively.

Internal controls are an integral part of any organization's financial and business policies and procedures. An inventory control system is a system that encompasses all aspects of managing an organization's inventories; purchasing, shipping, receiving, tracking, storage, and obsolescence.

In order to gain an understanding of GGC's current inventory system, we distributed an inventory questionnaire to the GGC's management. This questionnaire was completed by the Golf Pro and served as a basis for our findings. During our review of GGC's inventory system, we noted the following:

Written Policies and Procedures

Policies and procedures are critical to making any controls work. A policy establishes what should be done and serves as the basis for the procedure, which is how it will be carried out.

Finding: As identified in our 2006 review, there are no written policies and procedures in place for GGC's Pro Shop inventory.

Recommendation: As recommended in the 2006 review, the GGC staff should request a copy of the Lakes' inventory procedures to aid in developing policies/procedures specific to GGC's operations.

Inventory Tracking System

Inventory tracking is vital to any business that deals with inventory. Whether using a manual or computerized system, it is imperative that information relative to inventory additions, deletions, or movement be recorded in the system as soon as possible. The longer the time lag between inventory movement and updating the inventory records, the greater the risk for fraud or theft to occur.

Finding: Presently, there is no consistent system for tracking golf related inventory at GCC.

Recommendation: Management should work on developing a means for tracking its inventory. Since the Pro Shop currently carries less than 30 different items on inventory, we suggested that Microsoft Excel would be a good tool to use initially; or GGC could contact other golf facilities (Bryan Park or Bur-Mil) to inquire about any inventory software they may use to determine if it's feasible for GGC's use.

Also, if feasible, management should consider updating the Pro Shop's cash register to a point-of-sale register with the capability of producing both a financial and inventory reports (as used at Carolyn Allen Athletic Complex). The inventory report summarizes individual inventory items by number of items sold and total sales dollars associated with the sale of the item. Once GGC develops a good inventory tracking system, this

inventory report can be used by management to identify instances where inventory items are depleting in ways other than through the normal sales process.

Access to Inventory

Physical restrictions are the most important type of protective measures for safeguarding inventory. Lack of physical security is a major contributor to theft of inventory. If items are openly available to any employee without authorization, inventory will be susceptible to theft.

Finding: Six GGC employees (including Golf Pro) possess keys to inventory storage areas. The potential risk of asset misappropriation or theft increases as a result of this, especially since there is currently no inventory tracking system in place.

Recommendation: If practical, until an inventory tracking system is properly implemented, management should further limit the number of employees with keys to inventory storage areas.

Physical Inventory Counts

Although there are many reasons for conducting a physical inventory count, the main purpose is to determine the quantity of stock on hand and adjust the inventory records to reflect this.

Finding: Physical counts were not consistently conducted by GGC staff. This, in conjunction with having no inventory tracking system implemented, cannot allow management to identify unexplained variances in inventory quantities and increases the potential for theft of inventory going undetected.

Recommendation: Monthly physical counts should be performed by staff and inventory records should be adjusted accordingly to reflect all changes in quantities. Unexplained variances in quantities should be promptly investigated by management.

On April 28, 2009, GGC staff and Internal Audit conducted a complete physical count of GGC's resale inventory on hand. Upon verifying a sample of unit costs (using vendor invoices) from the list provided to us by management, we determined that inventory on hand at April 28, 2009 was \$5,220.21. We will request a balance sheet account number for GGC so their inventory can be included with other City inventories reported at year end.

We would like to thank the staff at Gillespie Golf Course for their courtesy and cooperation shown during this review. We ask that you please make your responses for corrective actions to our findings by Friday, May 29, 2009. If you have any questions or concerns, please contact us at 373-4528.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Interim City Manager
Andy Scott, Interim Assistant City Manager for Economic Development



City of Greensboro

Date: June 5, 2009
To: Dr. Anthony Wade, Interim Director of Parks & Recreation
From: Internal Audit
Subject: Gillespie Pro Shop Review – Reply to Response dated June 3, 2009

The Internal Audit Division has reviewed your response to our review of the Gillespie Pro Shop; and we feel that the policies and procedures you are implementing adequately address our findings and recommendations. We appreciate and applaud you for your timely implementations.

If you have any questions or require further assistance, please do not hesitate to contact us at 373-4528.

A handwritten signature in cursive script that reads "Tina McKoy".

Tina McKoy
Internal Auditor

A handwritten signature in cursive script that reads "Len Lucas".

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Interim City Manager
Andy Scott, Interim Assistant City Manager for Economic Development

McKoy, Tina W

From: Wilson, Christian A (P&R)
Sent: Wednesday, June 03, 2009 4:30 PM
To: McKoy, Tina W; Lucas, Len
Cc: Wade, Anthony; Thilo, Timothy; Jennings, Terry
Subject: FW: Gillespie Pro Shop Review
Attachments: Gillespie Inventory Control.doc; GILLESPIEMASTERINVENTORY.xls; GILLESPIESALESRECORD.xls

In response to the audit of Gillespie Golf Course dated May 11, 2009.

Chris Wilson, CPRP
Parks, Gardens, & Program Support Manager
Phone #: (336)373-3815
Fax #: (336)373-2060
 Greensboro Parks and Recreation Department
 Park Watch Program

From: Thilo, Timothy
Sent: Wednesday, June 03, 2009 2:59 PM
To: Wilson, Christian A (P&R)
Cc: Jennings, Terry
Subject: RE: Gillespie Pro Shop Review

Chris –

Attached you will find the policy that we are proposing to put in place and two documents that are referenced in the policy. This is a policy based on manual recordkeeping of itemized sales transactions. In the future the policy would need to be modified to reflect the use of a different register if one was purchased.

As suggested in the audit report, the process of taking a monthly physical inventory is already in place.

If you have any questions or concerns, please feel free to give me a call.

Sincerely,

Timothy L. Thilo
 Park Operations Supervisor
 Bryan Park Complex
 Gillespie Golf Course
 Office: (336) 373-7968
 Cell: (336) 451-0913
Timothy.Thilo@greensboro-nc.gov
 Park Watch Program

From: Wilson, Christian A (P&R)
Sent: Tuesday, June 02, 2009 1:34 PM
To: Thilo, Timothy
Subject: FW: Gillespie Pro Shop Review

Chris Wilson, CPRP
Parks, Gardens, & Program Support Manager
Phone #: (336)373-3815
Fax #: (336)373-2060

6/3/2009

Greensboro Parks and Recreation Department
Park Watch Program

From: Wade, Anthony
Sent: Monday, June 01, 2009 7:39 PM
To: Wilson, Christian A (P&R)
Subject: FW: Gillespie Pro Shop Review

FYI.

Sincerely,

Anthony

Anthony W. Wade, PhD, PHR, APM
Interim Director, Parks and Recreation
Director, Human Relations Department
Executive Director, Human Relations Commission
Executive Director, the Commission on the Status of Women
City of Greensboro, North Carolina
anthony.wade@greensboro-nc.gov

From: McKoy, Tina W
Sent: Monday, June 01, 2009 11:41 AM
To: Wade, Anthony
Cc: Lucas, Len
Subject: FW: Gillespie Pro Shop Review

Dr. Wade,

What is the status on your response to our final report issued May 15, 2009? Thanks.

Tina W. McKoy
Internal Auditor
373-4528

Conserve water now!

From: McKoy, Tina W
Sent: Monday, May 11, 2009 2:25 PM
To: Wade, Anthony
Cc: Lucas, Len
Subject: Gillespie Pro Shop Review

Dr. Wade,

Attached you will find a draft audit report for a review conducted at the Gillespie Pro Shop. Please read over it, and let me know if you have any questions/comments. If there are no concerns, please contact me ASAP so that I may distribute copies of the final written report to the CMO, as well as yourself. After its distribution, you will have 14 calendar days from the date of the final report to respond to our findings and recommendations.

Thank you.

Tina W. McKoy
Internal Auditor
City of Greensboro
Internal Audit Division

6/3/2009

P.O. Box 3136
Greensboro, NC 27402-3136
Phone: (336) 373-4528
Fax: (336) 373-2138



GREENSBORO
PARKS AND
RECREATION

Gillespie Operations Manual
GILLESPIE GOLF COURSE

Inventory Control

The following policy outlines the procedures in acquiring, storing, and accounting for items placed in the Gillespie Golf Course resale inventory. Specifically any item purchased under the .5271 (Purchase for Resale) account will be covered by this policy.

Procurement

It shall be the sole responsibility of the Director of Golf, or other employee acting in the role of the Director of Golf, to procure goods for resale in the normal operations of the Gillespie Golf Course operations. Purchases of goods for resale shall be made under the policies and procedures set forth by the City of Greensboro Purchasing Division and may be made by either the use of a procurement card or purchase requisition. All purchases of goods for resale shall be made from the .5271 Purchase for Resale account.

Receipt of Purchases

A physical inventory of goods for resale shall be taken at the time of receipt goods from a vendor or the vendor's shipping agent. This inventory shall be made by a designated employee other than the Director of Golf or other employee assigned the responsibility of implementing the purchase of the goods to be received. The inventory shall be recorded on a Receipt of Goods Form and shall include the date of the receipt, itemization of the goods received, quantities of each itemized good received and signature of the receiving employee. The Receipt of Goods Form can be a copy of the actual itemized packing slip, itemized invoice or other means of verification of receipt which can be filed onsite.

Inventory Control & Storage

Upon receipt the purchased goods shall become part of the inventory of goods for resale and entered into the Master Inventory document. An example of the inventory document is attached.

Inventory will be stored in one of the following two ways:

- 1) **On Display** – Items stored in this fashion are those items which are not in a secured area and are available for customer inspection and handling. These items should be kept in display areas in appropriate numbers that will minimize lost due to theft, yet in adequate quantities to provide minimal disruption to service if re-

stocking is required. Care should be taken in choosing display locations that provide control for Pro Shop staff.

- 2) **Secured Storage** – All inventory which is not on display shall be held in a locked and secured area. Access to this area should be limited to the smallest number of employees as is practical. Inventory should only be removed from the secured storage area when re-stocking and/or bulk purchases are made.

Tracking of Sales

Under the City of Greensboro accounting system all sales of merchandise are entered into the revenue account .7740 Sale of Golf Equipment and Supplies. For purposes of tracking inventory and managing goods for resale it is imperative that these goods be itemized at the time of sale. Therefore, at the time of sale a manual record called the Sales Record shall be kept of each transaction which includes the date, itemization of goods sold, sales price of each good sold and quantities of each good sold. Each Sales Record shall be turned in with daily revenue reports to the Director of Golf. A sample of a Sales Record is attached.

Physical Inventory

Each month at a time which coincides with the Monthly Revenue Report a physical count of all inventory shall be made. This inventory count can be made by all employees that management deems necessary but shall not include any employees involved with the receipt of goods when practical. Inventory shall be recorded on the Master Inventory document.

Summary

Internal controls are an integral part of any organization's financial and business policies and procedures. This inventory control system encompasses the management of Gillespie GC inventories throughout the different aspects of handling inventory in our operation, ie, purchasing, receiving, tracking and storage. Each month a report will be generated which shows a beginning balance, itemized additions and subtractions to inventory and a closing balance. This policy is meant to be used as tool to effectively manage goods for resale, maximize efficiencies and make timely operational decisions.

MASTER INVENTORY

GILLESPIE GOLF COURSE

MONTH: _____

DATE: _____

ITEM DESCRIPTION	Qty on Hand	INVENTORY @ COST		POTENTIAL REVENUE	
		Unit Cost	\$	Retail Cost	\$
Titleist Hats					
White	ea.	\$ 11.00	\$ -	\$ 18.00	\$ -
Black	ea.	\$ 11.00	\$ -	\$ 18.00	\$ -
Light Blue	ea.	\$ 11.00	\$ -	\$ 18.00	\$ -
Grey	ea.	\$ 11.00	\$ -	\$ 18.00	\$ -
Bridgestone Hats					
Red	ea.	\$ 8.75	\$ -	\$ 15.00	\$ -
Grey	ea.	\$ 8.75	\$ -	\$ 15.00	\$ -
Blue	ea.	\$ 8.75	\$ -	\$ 15.00	\$ -
Callaway Hats					
White	ea.	\$ 11.50	\$ -	\$ 18.00	\$ -
Black	ea.	\$ 11.50	\$ -	\$ 18.00	\$ -
Red	ea.	\$ 11.50	\$ -	\$ 18.00	\$ -
Forest Green	ea.	\$ 11.50	\$ -	\$ 18.00	\$ -
Callaway Balls iX Tour	sleeves	\$ 9.15	#VALUE!	\$ 11.00	#VALUE!
Top Flite Balls - Feel	sleeves	\$ 2.50	#VALUE!	\$ 4.50	#VALUE!
Top Flite Balls - Straight	sleeves	\$ 2.50	#VALUE!	\$ 4.50	#VALUE!
Top Flite Balls - Distance	sleeves	\$ 2.50	#VALUE!	\$ 4.50	#VALUE!
Titleist Ball Pro V1	sleeves	\$ 9.00	#VALUE!	\$ 11.00	#VALUE!
Titleist Ball Pro V1x	sleeves	\$ 9.00	#VALUE!	\$ 11.00	#VALUE!
Titleist Ball NXT	sleeves	\$ 6.00	#VALUE!	\$ 7.00	#VALUE!
Titleist Ball NXT Tour	sleeves	\$ 6.00	#VALUE!	\$ 7.00	#VALUE!
Titleist Ball NXT Extreme	sleeves	\$ 5.00	#VALUE!	\$ 6.50	#VALUE!
Titleist Ball DT Carry	sleeves	\$ 4.50	#VALUE!	\$ 6.00	#VALUE!
Bridgestone Ball Tour B330	sleeves	\$ 7.50	#VALUE!	\$ 9.00	#VALUE!
Bridgestone Ball Tour B330s	sleeves	\$ 7.50	#VALUE!	\$ 9.00	#VALUE!
Bridgestone Ball Tour B330 F	sleeves	\$ 8.45	#VALUE!	\$ 10.00	#VALUE!
Bridgestone Ball Treo Soft	sleeves	\$ 4.40	#VALUE!	\$ 6.00	#VALUE!
Precept Ball e5	sleeves	\$ 4.50	#VALUE!	\$ 6.00	#VALUE!
Precept Ball e6	sleeves	\$ 4.50	#VALUE!	\$ 6.00	#VALUE!

Precept Gloves

Small	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -
Medium	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -
Medium Large	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -
Large	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -
X-Large	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -
XX-Large	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -
Cadet Medium Large	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -
Cadet Large	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -
Cadet X-Large	ea.	\$ 5.00	\$ -	\$ 8.00	\$ -

Footjoy Gloves

Small	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Medium	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Medium Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
X-Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
XX-Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Cadet Medium Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Cadet Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Cadet X-Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -

Callaway Gloves

Small	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -
Medium	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -
Medium Large	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -
Large	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -
X-Large	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -
XX-Large	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -
Cadet Medium Large	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -
Cadet Large	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -
Cadet X-Large	ea.	\$ 7.50	\$ -	\$ 11.00	\$ -

TopFlite Gloves

Small	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -
Medium	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -
Medium Large	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -
Large	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -
X-Large	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -
XX-Large	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -
Cadet Medium Large	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -
Cadet Large	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -
Cadet X-Large	ea.	\$ 4.00	\$ -	\$ 7.50	\$ -

Sof Joy Gloves

Small	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Medium	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Medium Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
X-Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
XX-Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Cadet Medium Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Cadet Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Cadet X-Large	ea.	\$ 8.00	\$ -	\$ 12.00	\$ -
Tees - Short	bags	\$ 0.21	#VALUE!	\$ 0.50	#VALUE!
Tees - Long	bags	\$ 0.26	#VALUE!	\$ 0.75	#VALUE!
Sunglasses	ea.	\$ 10.00	#VALUE!	\$ 18.00	#VALUE!
Shoes	pairs	\$ 34.00	#VALUE!	\$ 44.00	#VALUE!
TOTALS			<u><u>#VALUE!</u></u>		<u><u>#VALUE!</u></u>

Report Completed By: _____ Date: _____